

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SJR 105**

March 23, 2015

**SUMMARY OF BILL:** Authorizes the Governor to do all that is necessary and appropriate to expand enrollment in Tennessee's Medicaid program pursuant to the Patient Protection and Affordable Care Act, P.L. 111-148, as amended. Further authorizes the Governor to take any action he deems necessary and appropriate to increase access to health insurance coverage for Tennessee's citizens, be it by existing governmental programs or one so created toward that end.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – \$7,810,000/FY15-16**  
**\$43,601,500/FY16-17**  
**\$46,246,600/FY17-18**

**Increase Federal Expenditures - \$675,399,600/FY15-16**  
**\$1,407,480,200/FY16-17**  
**\$739,904,800/FY17-18**

**Other Fiscal Impact – The proposed Insure Tennessee plan was dependent on hospital assessment funds being used to cover the state share. Further legislation will have to be enacted by the General Assembly prior to hospital assessment funds being available to cover the state portion.**

**Assumptions:**

- This analysis is based on the assumption that, if authorized, any expansion of the Medicaid program by the Governor will be similar to the previously proposed Insure Tennessee program as described in TennCare Demonstration Amendment #25.
- The TennCare Demonstration Amendment #25 will implement the Insure Tennessee plan that, according to the Waiver Amendment Request, will operate as a two year pilot program as an alternative plan for providing services to persons in the optional Medicaid eligibility category described in Section 1902(a)(10)(A)(i)(VIII) of the Social Security Act.
- The individuals who will qualify under the Insure Tennessee plan, also known as "newly eligibles", are between the ages of 19 and 64, are not otherwise eligible for Medicaid, and have family incomes that do not exceed 138 percent of the Federal Poverty Level.
- The three main components of the plan are: enrolling individuals ages 19 and 20 into the current TennCare program; the Healthy Incentives Plan; and the Volunteer Plan.

- In calendar year 2016 the increased federal matching funds will be 100 percent and will phase down to 90 percent through 2020 and beyond. The cost estimates include the phase down of federal funds in calendar year 2017 to 95 percent.

*Population estimates:*

- In December 2014, the Kaiser Family Foundation (KFF) estimated the total uninsured population in Tennessee was 850,000 individuals.
  - Of the 850,000 total, the KFF report estimated that approximately 19 percent, or 162,000 individuals, are in what is known as the coverage gap because they do not qualify for traditional Medicaid but their incomes are too low to qualify for assistance through the Affordable Care Act.
  - The KFF report further estimated that 176,000 individuals are ineligible for financial assistance because their income is too high or they have what is considered affordable employer health coverage. It is assumed that not all of these individuals will qualify for the Insure Tennessee Plan.
- The Bureau of TennCare has publicly stated enrollment is estimated to be:
  - 280,000 in FY15-16 (six months beginning January 1, 2016);
  - 293,800 in FY16-17; and
  - 307,600 in FY17-18 (six months beginning July 1, 2017).
- This enrollment growth is in line with projections from the Robert Wood Johnson Foundation and the Henry J. Kaiser Family Foundation and will be used for this analysis.
- Based on information included in the Waiver Amendment Request, the State estimates 54 percent of the newly eligibles are currently working or have worked in the past year and may have the opportunity to join the Volunteer Plan.
- Based on information contained within the U.S. Census Bureau's *Health Insurance Coverage in the United States 2012* report, uninsured individuals in the 19- to 25-year age range peaked in 2009 at approximately 33 percent and have been steadily declining since. The 2013 report, dated September 2014, provided estimates of 19- to 20-year olds at approximately 18 percent of the uninsured population. For purposes of this analysis, staff assumes at least 10 percent of the remaining 46 percent (100% - 54% in Volunteer Plan) will enroll in the current TennCare program.
- The remaining 36 percent (46% - 10%) will enroll in the Healthy Incentives Plan.

*19- and 20-year olds:*

- Newly eligibles under 21 years of age are entitled to all allowable Medicaid benefits and will be enrolled into the regular TennCare program.
- Effective January 1, 2015, the capitation rates in the TennCare MCO contracts range from \$125.30 to \$230.22 for males and females in this age group for the Medicaid and Uninsured/Uninsurable Aid Categories. For purposes of this analysis, an average of all capitation rates in this range was applied to the projected enrollees as a base cost.
- The average of \$170.43 was then adjusted for inflation of 6.719 percent beginning FY15-16 to an average PMPM cost of \$181.88. Rates were adjusted for the remaining two fiscal years at the same rate of inflation.

- The following table shows the estimated increased expenditures for this group over the two year pilot program:

<b>Fiscal Year</b>	<b>Total Estimated Number of Enrollees</b>	<b>19-20 year olds</b>	<b>PMPM Cost</b>	<b>Months in Fiscal Year Affected</b>	<b>State Cost</b>	<b>Federal Cost</b>
<b>FY15-16</b>	280,000	28,000	\$ 181.876	6	\$ -	\$ 30,555,144
<b>FY16-17</b>	293,800	29,380	\$ 194.096	12	\$ 1,710,763	\$ 66,719,756
<b>FY17-18</b>	307,600	30,760	\$ 207.137	6	\$ 1,911,464	\$ 36,317,817

*Healthy Incentives Plan:*

- The Healthy Incentives plan will be an Alternative Benefit Plan that is fully aligned with the current TennCare benefit package and will be a product of the current participating managed care organizations (MCOs) and the pharmacy benefit manager (PBM).
- The Health Incentives plan will offer Health Incentives for Tennesseans (HIT) Accounts operationalized by the MCOs. These accounts will be pre-loaded with a small sum of credits at the beginning of coverage and members can earn additional credits by engaging in certain desirable behaviors and enrolling in participation-based health programs. Credits can then be used by members to offset their premiums and co-pays.
- Enrollees with incomes below poverty will not have premiums but will still have pharmacy co-pays to which the HIT account credits can be applied. Also, these members will be permitted to use the end-of-year remaining balances to be reimbursed for out-of-pocket expenditures for services not covered by TennCare.
- There will be a maximum balance that can be accrued in the HIT account and once the account is exhausted, the member will be responsible for premiums and all co-pays up to the aggregate cost sharing cap, which will be calculated on a quarterly basis. At the end of the year, any credits remaining in the account may roll over to the following year, provided the member has complied with all requirements associated with the account.
- Estimates for the Healthy Incentives Plan provided by the Bureau of TennCare's contracted actuary dated February 2, 2015, provide FY15-16 per member per month (PMPM) ranges from \$392.76 to \$448.81. The FY16-17 estimates range from \$403.64 to \$458.14 PMPM.
- For the purpose of this analysis, mid-points of \$420.79 PMPM in FY15-16 and \$430.89 PMPM in FY16-17 were applied. The FY17-18 PMPM rate is estimated at \$440.99.
- The following table shows the estimated increased expenditures for this group over the two year pilot program:

<b>Fiscal Year</b>	<b>Total Estimated Number of Enrollees</b>	<b>Healthy Incentives Plan</b>	<b>PMPM Cost</b>	<b>Months in Fiscal Year Affected</b>	<b>State Cost</b>	<b>Federal Cost</b>
<b>FY15-16</b>	280,000	100,800	\$ 420.790	6	\$ -	\$ 254,493,792
<b>FY16-17</b>	293,800	105,768	\$ 430.890	12	\$ 13,672,312	\$ 533,220,170
<b>FY17-18</b>	307,600	110,736	\$ 440.990	6	\$ 14,650,043	\$ 278,350,810

#### *Volunteer Plan:*

- The Volunteer Plan is a premium assistance plan for enrollees to participate in qualified private insurance plans.
- In the first year of the program, qualified private insurance plans will be limited to plans available to individuals through their work, or Employer-Sponsored Insurance (ESI).
- Enrollees will receive a defined contribution each month toward the costs of ESI coverage.
- The state or its contractor may make a direct payment to the employer or insurer for the member's share of the premium, and/or may make direct payments to providers for the member's share of deductibles and co-pays, and/or may reimburse the member for expenses incurred in the form of premiums, deductibles, and/or co-pays. Operational details will be finalized with input from employers.
- According to the *Insure Tennessee Frequently Asked Questions*, dated January 16, 2015, the defined contribution plus any other expenditures the state makes for the individual will always be lower than the average per-person expenditure in the Healthy Incentive Program with individuals with similar characteristics.
- According to the *Insure Tennessee-Two Year Enrollment and Cost Estimates* provided on January 28, 2015, payments under the Volunteer Plan cannot exceed the per member per year cost of the Healthy Incentive Plan. For purposes of this analysis, the Volunteer Plan is estimated at the same PMPM cost of the Healthy Incentives Plan.
- The following table shows the estimated increased expenditures for this group over the two year pilot program:

<b>Fiscal Year</b>	<b>Total Estimated Number of Enrollees</b>	<b>Volunteer Plan</b>	<b>PMPM Cost</b>	<b>Months in Fiscal Year Affected</b>	<b>State Cost</b>	<b>Federal Cost</b>
<b>FY15-16</b>	280,000	151,200	\$ 420.790	6	\$ -	\$ 381,740,688
<b>FY16-17</b>	293,800	158,652	\$ 430.890	12	\$ 20,508,468	\$ 799,830,255
<b>FY17-18</b>	307,600	166,104	\$ 440.990	6	\$ 21,975,064	\$ 417,526,215

#### *Administrative Costs:*

- Based on information provided by the Bureau of TennCare, the following recurring administrative costs will be incurred beginning in FY15-16:
  - Administration of the HIT account payments: \$4,700,000;
  - Administration of the Volunteer Plan Enrollment and Payments: \$720,000;
  - Options Counseling for Plan Choice: \$4,000,000; and
  - Eligibility and Enrollment Administrative Costs: \$6,000,000.
- Total recurring administrative expenditures will be \$15,420,000, of which 50 percent (\$7,710,000) will be federal expenditures and 50 percent (\$7,710,000) will be state expenditures.
- There will be one-time expenditures incurred in FY15-16 to make changes to the Medicaid Management Information System of \$1,000,000. Ninety percent, or \$900,000, will be federal funds and \$100,000 will be state funds.

*Total Increase in Expenditures:*

- The estimated total increase in state expenditures is:
  - \$7,810,000 (\$7,710,000 + \$100,000) in FY15-16;
  - \$43,601,543 (\$1,710,763 + \$13,672,312 + \$20,508,468 + \$7,710,000) in FY16-17; and
  - \$46,246,571 (\$1,911,464 + \$14,650,043 + \$21,975,064 + \$7,710,000) in FY17-18.
- The estimated total increase in federal expenditures is:
  - \$675,399,624 (\$30,555,144 + \$254,493,792 + \$381,740,688 + \$7,710,000 + \$900,000) in FY15-16;
  - \$1,407,480,181 (\$66,719,756 + \$533,220,170 + \$799,830,255 + \$7,710,000) in FY16-17; and
  - \$739,904,842 (\$36,317,817 + \$278,350,810 + \$417,526,215 + \$7,710,000) in FY17-18.

*Hospital Assessment Funding:*

- The proposed resolution is dependent on the state costs being covered by hospital assessment funds.
- The Annual Coverage Assessment Act of 2014 is set to expire on June 30, 2015. SB 125 and HB 151 of the 109<sup>th</sup> General Assembly proposes to renew the assessment for FY15-16.
- Both the FY14-15 and proposed FY15-16 assessment are 4.52 percent of the covered hospital's annual coverage assessment base based on the hospital's net patient revenue resulting is increased revenue of \$449,800,000.
- It is estimated that the annual assessment will need to be increased for FY15-16 by 0.08 percent for a total of 4.6 percent to cover the additional \$7,810,000.
- It is estimated that the annual assessment will need to be increased for FY16-17 by 0.44 percent for a total of 4.96 percent to cover the additional \$43,601,543.
- The annual assessment for FY17-18 will need to increase by 0.47 percent for a total of 4.99 percent to cover the additional \$46,246,571.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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